

Debt Service

MISSION STATEMENT

This section provides budget data for the repayment of general obligation bonds issued and payment of long-term leases and short-term financing for public facilities and infrastructure in the Debt Service Fund for all tax supported County agencies (MCG, M-NCPPC, MCPS, and Montgomery College), as well as other associated costs.

BUDGET OVERVIEW

The total approved FY07 Operating Budget for Debt Service is \$220,959,240, an increase of \$3,884,700 or 1.8 percent from the FY06 approved budget of \$217,074,540. This amount includes long-term lease expenditures of \$12,557,150, short-term financing of \$871,600 and other long-term debt of \$1,100,650. The budget excludes \$82,140 in debt service which is appropriated in non-tax supported funds.

FY07 Approved Changes

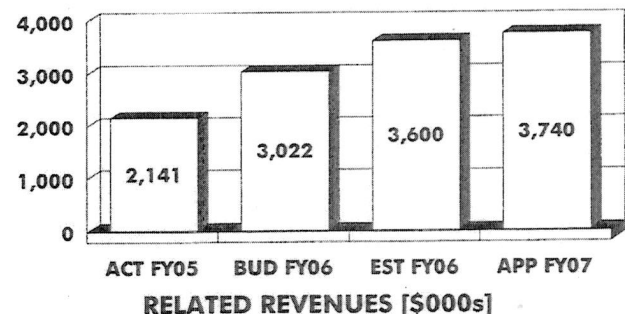
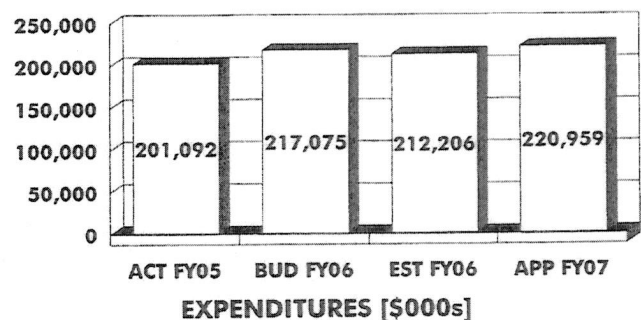
The Debt Service appropriation increase of 1.8 percent is mostly due to an estimated FY06 General Obligation (G.O.) bond issue of \$200.0 million and the projected issuance of Liquor Revenue bonds to finance transportation projects.

G.O. bonds are issued by the County to finance a major portion of the construction of long-lived additions or improvements to the County's publicly-owned infrastructure. The County's budget and fiscal plan for these improvements is known as the Capital Improvements Program (CIP) and is published separately from the Operating Budget and Public Services Program. Currently, G.O. bonds are anticipated to fund approximately 40.5 percent of the County's capital expenditures for the six years of the FY07-12 Approved CIP.

Long-term leases are similar to debt service in that they are long-term commitments of County funds for the construction or purchase of long-lived assets. They are displayed and appropriated within the Debt Service Fund. Short-term financings, where the payments represent a substantial County commitment for the acquisition of assets which have a shorter life, but still result in a substantial asset, are also displayed and appropriated within this Fund.

The FY07 Debt Service budget is predicated on the bond issue requirements in the Approved CIP, adjusted for inflation, and implementation of the capital program at a projected 92 percent rate for FY07-12. An interest cost of 4.5 percent was budgeted for the May 2006 issue. Projected interest rates for bond issues for FY07 through FY12 are based on an econometric model which forecasts little change in interest rates after FY06. Under these projections and assumptions, total Debt Service will increase from \$221.0 million in FY07 to \$301.2 million by FY12.

Trends



PROGRAM CONTACTS

Contact Jennifer Barrett of the Department of Finance at 240.777.8870 or Jacqueline Carter of the Office of Management and Budget at 240.777.2771 for more information regarding this department's operating budget.

BUDGET SUMMARY

	Actual FY05	Budget FY06	Estimated FY06	Approved FY07	% Chg Bud/App
DEBT SERVICE					
EXPENDITURES					
Salaries and Wages	0	0	0	0	—
Employee Benefits	0	0	0	0	—
Debt Service Personnel Costs	0	0	0	0	—
Operating Expenses	0	0	0	0	—
Debt Service G.O. Bonds	201,091,991	216,024,540	212,206,350	219,668,590	1.7%
Capital Outlay	0	0	0	0	—
Debt Service Expenditures	201,091,991	216,024,540	212,206,350	219,668,590	1.7%
PERSONNEL					
Full-Time	0	0	0	0	—
Part-Time	0	0	0	0	—
Workyears	0.0	0.0	0.0	0.0	—
REVENUES					
Street Assessments	14,998	0	0	0	—
BAN/Comm Paper Investment Income: Pooled	882,283	2,722,000	3,300,000	3,400,000	24.9%
Accrued Interest: GO Refunding Bonds	520,918	0	0	0	—
Accrued Interest: Installment Notes, I&P	260,853	0	0	0	—
Accrued Interest: Bonds Non-Pooled	462,377	300,000	300,000	340,000	13.3%
Debt Service Revenues	2,141,429	3,022,000	3,600,000	3,740,000	23.8%
DEBT SERVICE - NON-TAX SUPPORTED					
EXPENDITURES					
Salaries and Wages	0	0	0	0	—
Employee Benefits	0	0	0	0	—
Debt Service - Non-Tax Supported Personnel Costs	0	0	0	0	—
Operating Expenses	0	1,050,000	0	1,290,650	22.9%
Capital Outlay	0	0	0	0	—
Debt Service - Non-Tax Supported Expenditures	0	1,050,000	0	1,290,650	22.9%
PERSONNEL					
Full-Time	0	0	0	0	—
Part-Time	0	0	0	0	—
Workyears	0.0	0.0	0.0	0.0	—
DEPARTMENT TOTALS					
Total Expenditures	201,091,991	217,074,540	212,206,350	220,959,240	1.8%
Total Full-Time Positions	0	0	0	0	—
Total Part-Time Positions	0	0	0	0	—
Total Workyears	0.0	0.0	0.0	0.0	—
Total Revenues	2,141,429	3,022,000	3,600,000	3,740,000	23.8%

DEBT SERVICE - GENERAL OBLIGATION BONDS AND LONG & SHORT TERM LEASES

	Actual FY04	Actual FY05	Budget FY06	Estimated FY06	Approved FY07	% Chg Rec/Bud	Rec % GO Bonds
GO BOND DEBT SERVICE EXPENDITURES							
General County	19,586,319	22,368,334	24,308,440	24,453,850	25,612,430		12.8%
Roads & Storm Drains	46,642,173	45,683,511	49,899,240	48,349,940	52,289,880		26.2%
Public Housing	312,550	297,081	281,550	281,550	266,000		0.1%
Parks	5,215,712	5,564,364	6,722,720	6,524,440	6,640,990		3.3%
Public Schools	83,881,739	86,162,421	90,201,310	88,259,660	97,404,250		48.8%
Montgomery College	4,845,285	4,730,719	6,211,610	6,002,660	6,725,030		3.4%
Bond Anticipation Notes/Commercial Paper	1,317,433	2,883,383	3,333,300	4,800,000	5,800,000		
Cost of Issuance: General Fund	645,288	630,299	952,120	952,120	976,880		
Total General Fund	162,446,499	168,320,112	181,910,290	179,624,220	195,715,460	7.6%	94.6%
Fire Tax District Fund	2,256,102	2,276,043	3,043,220	2,724,630	3,303,290	8.5%	1.7%
Mass Transit Fund	3,140,136	3,005,061	3,119,380	3,010,230	2,506,300	-19.7%	1.3%
Recreation Fund	3,547,968	3,981,838	4,850,190	4,611,660	4,862,820	0.3%	2.4%
Bradley Noise Abatement Fund	35,112	33,888	32,650	32,650	32,650	0.0%	0.0%
Cabin John Noise Abatement Fund	10,411	10,051	9,690	9,690	9,320	-3.8%	0.0%
Total Tax Supported Other Funds	8,989,729	9,306,881	11,055,130	10,388,860	10,714,380	-3.1%	5.4%
TOTAL TAX SUPPORTED	171,436,228	177,626,993	192,965,420	190,013,080	206,429,840	7.0%	100.0%
Non-Tax Supported							
Solid Waste Disposal Fund	97,685	58,431	55,160	55,160	2,720	-95.1%	0.0%
Total Non-Tax Supported	97,685	58,431	55,160	55,160	2,720	-95.1%	0.0%
TOTAL GO BOND DEBT SERVICE EXPENDITURES	171,533,913	177,685,424	193,020,580	190,068,240	206,432,560	6.9%	100.0%
LONG-TERM LEASE EXPENDITURES							
Revenue Authority - Conference Center	1,581,768	1,904,509	2,266,060	2,200,210	2,211,270		
Revenue Authority - HHS Piccard Drive	636,388	634,512	631,830	631,830	633,200		
Silver Spring Garages	5,376,400	6,227,703	5,858,990	5,858,990	5,862,370		
Revenue Authority - Recreation Pools	1,327,174	3,153,782	3,100,180	3,100,180	3,060,310		
Fire and Rescue Equipment	-	-	-	-	600,000		
Liquor Control Warehouse - (Non-tax supported)	-	-	1,050,000	-	190,000		
TOTAL LONG-TERM LEASE EXPENDITURES	8,921,730	11,920,506	12,907,060	11,791,210	12,557,150		
SHORT-TERM LEASE EXPENDITURES							
Short Term Financing - Public Safety Radio	10,320,688	10,276,087	10,220,100	9,420,100	-		
Short Term Financing - Kay Property	-	1,158,045	871,600	871,600	871,600		
Short Term Financing - Buses	3,369,600	-	-	-	-		
TOTAL SHORT-TERM LEASE EXPENDITURES	13,690,288	11,434,132	11,091,700	10,291,700	871,600		
OTHER LONG-TERM DEBT							
MICRF Loan - Tax supported	110,360	110,360	110,360	110,360	-		
MHI-HUD Loan - Non-Tax supported	18,463	80,938	80,300	80,310	79,420		
Liquor Revenue Bonds - Non-tax supported	-	-	-	-	1,100,650		
TOTAL OTHER LONG-TERM DEBT	128,823	191,298	190,660	190,670	1,180,070	518.9%	
DEBT SERVICE EXPENDITURES							
Tax Supported	194,158,606	201,091,991	216,024,540	212,206,350	219,668,590		
Non-Tax supported - Long-Term Leases	-	-	1,050,000	-	190,000		
Non-Tax Supported - Other Debt	116,148	139,369	135,460	135,470	1,182,790		
TOTAL DEBT SERVICE EXPENDITURES	194,274,754	201,231,360	217,210,000	212,341,820	221,041,380	1.8%	
GO BOND DEBT SERVICE FUNDING SOURCES							
General Funds	159,771,070	166,265,107	178,888,290	176,024,220	191,975,460		
Accrued Interest: Bonds-Non Pooled	397,833	462,377	300,000	300,000	340,000		
Accrued Interest: G.O. Refunding Bonds	347,072	520,918	-	-	-		
Accrued Interest: Installmt Notes, I&P, Street Assessmts	727,529	260,853	-	-	-		
BAN/Commercial Paper Investment Income	515,058	882,283	2,722,000	3,300,000	3,400,000		
Special Street Assessments	3,745	14,998	-	-	-		
Premium on General Obligation Bonds	485,333	-	-	-	-		
Total General Fund Sources	162,247,640	168,406,536	181,910,290	179,624,220	195,715,460		
Fire Tax District Funds	2,481,625	2,359,752	3,043,220	2,724,630	3,303,290		
Mass Transit Fund	3,114,488	3,019,228	3,119,380	3,010,230	2,506,300		
Recreation Fund	3,546,952	3,797,538	4,850,190	4,611,660	4,862,820		
Bradley Noise Abatement Fund	35,112	33,888	32,650	32,650	32,650		
Cabin John Noise Abatement Fund	10,411	10,051	9,690	9,690	9,320		
Solid Waste Disposal Fund	97,685	58,431	55,160	55,160	2,720		
Total Other Funding Sources	9,286,273	9,278,888	11,110,290	10,444,020	10,717,100		
TOTAL GO BOND FUNDING SOURCES	171,533,913	177,685,424	193,020,580	190,068,240	206,432,560		
NON GO BOND FUNDING SOURCES							
General Funds	17,915,244	20,200,856	19,848,580	18,982,730	9,578,440		
Montgomery Housing Initiative Fund	18,463	80,938	80,300	80,310	79,420		
Mass Transit Fund	3,369,600	-	-	-	-		
Liquor Control Fund	-	-	1,050,000	-	1,290,650		
Economic Development Fund	110,360	110,360	110,360	110,360	-		
Recreation Fund	1,327,174	3,153,782	3,100,180	3,100,180	3,060,310		
Fire Tax District fund	-	-	-	-	600,000		
TOTAL NON GO BOND FUNDING SOURCES	22,740,841	23,545,936	24,189,420	22,273,580	14,608,820		
TOTAL FUNDING SOURCES	194,274,754	201,231,360	217,210,000	212,341,820	221,041,380		
TRANSFERS							
FROM: RSF Investment Income	1,083,101	2,369,863	3,035,320	4,198,860	4,904,290		
TO: CIP - PAYGO	1,083,101	2,369,863	3,035,320	4,198,860	4,904,290		
TOTAL GENERAL OBLIGATION BOND SALES							
Actual and Estimated Bond Sales	154,600,000	200,000,000	-	200,000,000	-		
Council SAG Approved Issues	-	-	213,000,000	213,000,000	264,000,000		

DEBT SERVICE - GENERAL OBLIGATION BONDS AND LONG & SHORT TERM LEASES

	Approved FY07	Projected FY08	Projected FY09	Projected FY10	Projected FY11	Projected FY12
GO BOND DEBT SERVICE EXPENDITURES						
General County	25,612,430	28,741,230	30,286,710	34,580,320	36,048,470	39,789,550
Roads & Storm Drains	52,289,880	56,963,160	58,995,140	59,118,660	59,701,840	59,918,320
Public Housing	266,000	250,420	175,010	108,320	34,920	106,290
Parks	6,640,990	7,415,510	8,488,790	9,733,130	11,094,790	12,642,830
Public Schools	97,404,250	107,366,770	112,155,150	118,872,310	118,996,830	119,682,850
Montgomery College	6,725,030	9,113,470	11,363,990	13,541,920	18,067,440	20,259,430
Bond Anticipation Notes/Commercial Paper	5,800,000	6,000,000	6,100,000	6,200,000	6,300,000	6,300,000
Cost of Issuance	976,880	1,002,280	1,029,340	1,057,130	1,085,670	1,114,990
Total General Fund	195,715,460	216,852,840	228,594,130	243,211,790	251,329,960	259,814,260
Fire Tax District Fund	3,303,290	4,668,200	5,942,060	8,002,080	9,218,140	9,240,570
Mass Transit Fund	2,506,300	2,500,060	2,410,600	2,552,040	2,409,750	2,140,820
Recreation Fund	4,862,820	5,397,240	6,333,610	7,037,530	7,591,000	8,402,840
Bradley Noise Abatement Fund	32,650	30,120	28,810	27,500	26,180	24,870
Cabin John Noise Abatement Fund	9,320	8,940	8,560	8,170	7,780	7,390
Total Tax Supported Other Funds	10,714,380	12,604,560	14,723,640	17,627,320	19,252,850	19,816,490
TOTAL TAX SUPPORTED	206,429,840	229,457,400	243,317,770	260,839,110	270,582,810	279,630,750
Non-Tax Supported						
Solid Waste Disposal Fund	2,720	2,540	-	-	-	-
Total Non-Tax Supported	2,720	2,540	0	0	0	0
TOTAL GO BOND DEBT SERVICE EXPENDITURES	206,432,560	229,459,940	243,317,770	260,839,110	270,582,810	279,630,750
LONG-TERM LEASE EXPENDITURES						
Revenue Authority - Conference Center	2,211,270	2,216,070	2,210,660	1,903,290	1,901,650	1,903,900
Revenue Authority - HHS Piccard Drive	633,200	633,490	632,700	635,700	632,500	633,040
Silver Spring Garages	5,862,370	5,591,010	5,553,520	5,590,330	5,544,320	5,544,170
Revenue Authority - Recreation Pools	3,060,310	3,051,130	2,662,970	2,664,820	2,325,820	2,325,680
Fire and Rescue Equipment	600,000	3,800,000	3,800,000	3,800,000	3,800,000	3,800,000
Liquor Control Warehouse (Non-tax supported)	190,000	1,550,000	1,550,000	1,550,000	1,550,000	1,550,000
TOTAL LONG-TERM LEASE EXPENDITURES	12,557,150	16,841,700	16,409,850	16,144,140	15,754,290	15,756,790
SHORT-TERM LEASE EXPENDITURES						
Short Term Financing - Kay Property	871,600	871,600	871,600	-	-	-
TOTAL SHORT-TERM LEASE EXPENDITURES	871,600	871,600	871,600	-	-	-
OTHER LONG-TERM DEBT						
MHI-HUD Loan - Non-Tax supported	79,420	78,260	76,870	75,300	73,580	73,580
Liquor Revenue Bonds - Non-Tax supported	1,100,650	4,000,000	5,800,000	5,800,000	5,800,000	5,800,000
TOTAL OTHER LONG-TERM DEBT	1,180,070	4,078,260	5,876,870	75,300	73,580	73,580
DEBT SERVICE EXPENDITURES						
Tax Supported	219,668,590	245,620,700	259,049,220	275,433,250	284,787,100	293,837,540
Non-Tax supported - Long-Term Leases	190,000	1,550,000	1,550,000	1,550,000	1,550,000	1,550,000
Non-Tax Supported - Other Debt	1,182,790	4,080,800	5,876,870	5,875,300	5,873,580	5,873,580
TOTAL DEBT SERVICE EXPENDITURES	221,041,380	251,251,500	266,476,090	282,858,550	292,210,680	301,261,120
GO BOND DEBT SERVICE FUNDING SOURCES						
General Funds	191,975,460	212,992,840	224,714,130	239,211,790	247,309,960	255,674,260
Accrued Interest on Bonds - Non-Pooled	340,000	360,000	380,000	400,000	420,000	440,000
BAN/Commercial Paper Investment Income	3,400,000	3,500,000	3,500,000	3,600,000	3,600,000	3,700,000
Total General Fund Sources	195,715,460	216,852,840	228,594,130	243,211,790	251,329,960	259,814,260
Fire Tax District Fund	3,303,290	4,668,200	5,942,060	8,002,080	9,218,140	9,240,570
Mass Transit Fund	2,506,300	2,500,060	2,410,600	2,552,040	2,409,750	2,140,820
Recreation Fund	4,862,820	5,397,240	6,333,610	7,037,530	7,591,000	8,402,840
Bradley Noise Abatement Fund	32,650	30,120	28,810	27,500	26,180	24,870
Cabin John Noise Abatement Fund	9,320	8,940	8,560	8,170	7,780	7,390
Solid Waste Disposal Fund	2,720	2,540	0	0	-	-
Total Other Funding Sources	10,717,100	12,607,100	14,723,640	17,627,320	19,252,850	19,816,490
TOTAL GO BOND FUNDING SOURCES	206,432,560	229,459,940	243,317,770	260,839,110	270,582,810	279,630,750
NON GO BOND FUNDING SOURCES						
General Funds	9,578,440	9,312,170	9,268,480	8,129,320	8,078,470	8,081,110
Montgomery Housing Initiative Fund	79,420	78,260	76,870	75,300	73,580	73,580
Liquor Control Fund	1,290,650	5,550,000	7,350,000	7,350,000	7,350,000	7,350,000
Recreation Fund	3,060,310	3,051,130	2,662,970	2,664,820	2,325,820	2,325,680
Fire Tax District Fund	600,000	3,800,000	3,800,000	3,800,000	3,800,000	3,800,000
TOTAL NON GO BOND FUNDING SOURCES	14,608,820	21,791,560	23,158,320	22,019,440	21,627,870	21,630,370
TOTAL FUNDING SOURCES	221,041,380	251,251,500	266,476,090	282,858,550	292,210,680	301,261,120
TRANSFERS						
FROM: RSF Investment Income	4,904,290	5,012,080	5,065,970	5,173,760	5,227,650	5,281,550
TO: CIP - PAYGO	4,904,290	5,012,080	5,065,970	5,173,760	5,227,650	5,281,550
TOTAL GENERAL OBLIGATION BOND SALES						
Council SAG Approved Issues	264,000,000	264,000,000	264,000,000	226,000,000	220,000,000	220,000,000
ESTIMATED INTEREST RATE	6.10%	6.10%	6.20%	6.20%	6.20%	6.20%